

Message Text

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51

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 COME-00 TRSE-00 L-03 AID-05 /028 W

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R 101137Z JUL 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 3372

LIMITED OFFICIAL USE LISBON 3887

EO 11652: N/A

TAGS: EFIN, PO

SUBJ: PRIVATE BANK LOAN TO CPE

1. MR. IVO GONCALVES, ADMINISTRATOR (AND FORMER PRESIDENT) OF COMPANHIA PORTUGUESA DE ELECTRICIDADE (CPE) TOOK ADVANTAGE OF VISIT BY EMBASSY OFFICER TO COMPLAIN ABOUT CPE'S INABILITY TO OBTAIN LOANS FROM U.S. BANKING CIRCLES. CPE, WHICH HAS GOP AUTHORIZATION TO BORROW \$60 MILLION ABROAD, HAS BEEN ATTEMPTING TO OBTAIN A LOAN FROM A BANKING CONSORTIUM LED BY DILLON, READ AND CO.

2. ACCORDING TO GONCALVES, TENTATIVE AGREEMENT FOR LOAN WAS MADE IN AUGUST 1974, BUT SIGNING HAS BEEN POSTPONED BY CONSORTIUM IN WAKE OF SEPTEMBER 28 AND MARCH 11 EVENTS. DILLON, READ VICE PRESIDENT GIORGIO MAGNONI REPORTEDLY TOLD GONCALVES DURING EARLY MAY VISIT THAT APPROVAL WOULD DEPEND ON EVIDENCE OF USG SUPPORT FOR PORTUGAL, I.E., SIGNING OF SECOND GROUP OF AID AGREEMENTS.

3. GONCALVES EXPRESSED BEWILDERMENT OVER CONTINUED DELAY, ESPECIALLY SINCE ONE MEMBER OF CONSORTIUM (CHEMICAL BANK) GAVE CPE A ONE-YEAR FIVE MILLION DOLLAR LOAN IN EARLY MARCH 1975 AND LOANS HAVE BEEN GRANTED BY EUROPEAN BANKS. HE CLAIMED THAT CREDIT WORTHINESS OF CPE IS NOT AFFECTED BY DOMESTIC POLITICAL SITUATION, BUT THAT PERSISTENT FAILURE OF U.S. BANKS TO APPROVE LOAN WOULD EVENTUALLY AFFECT U.S.-PORTUGAL RELATIONS NEGATIVELY.

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4. COMMENT: DURING MAY 13 CONVERSATION WITH EMBASSY OFFICERS,

MAGNONI DID NOT MENTION PROPOSED CPE LOAN, BUT DID SAY THAT
DILLON, READ HOPED TO BE AGENT FOR SOCIEDADE FINANCEIRA
PORTUGUESA IN PLACING 20 MILLION HOUSING LOAN GUARANTEE.

5. ACTION REQUESTED: REQUEST DEPARTMENT CONTACT DILLON,
READ TO ASCERTAIN REAL STATUS OF PROPOSED LOAN, AND ESPECIALLY
LIKELIHOOD OF ITS BEING APPROVED.
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Message Attributes

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